Search Report from Ginger R. DeMille

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? show files;ds
File 625:American Banker Publications 1981-2004/Apr 30
         (c) 2004 American Banker
File 256:SoftBase:Reviews,Companies&Prods. 82-2004/Mar
         (c)2004 Info.Sources Inc
File 267:Finance & Banking Newsletters 2004/Apr 30
         (c) 2004 The Dialog Corp.
File 139:EconLit 1969-2004/Apr
         (c) 2004 American Economic Association

Set     Items   Description
S1      41513   FORMULA?? OR MATHEMATICAL OR EXPRESSION OR ALGORITHM OR EQ-
             UATION?? OR MATH OR COMPUTATION
S2      13870   VOLATILITY
S3      11186   SETTLEMENT
S4     148485   VARIABLE?? OR PARAMETER?? OR VALUE??
S5       9493   (TRADE OR TRADING OR EXCHANGE OR EXCHANGING)(2N)(PERIOD?? -
             OR TIME OR TIMES OR DAY OR DAYS OR WEEK OR WEEKS OR MONTH OR -
             MONTHS OR DATE?? OR HOUR?? OR MINUTE??)
S6      12005   (HIGH OR LOW OR MAXIMUM OR MINIMUM OR HIGHEST OR LOWEST OR
             HIGHER OR LOWER)(2W)(PRICE??) OR PRICE()POINTS
S7       3752   (OPENING OR BEGINNING OR STARTING OR INITIAL OR FIRST OR S-
             TART)(2W)PRICE??
S8       1137   S1 AND S2
S9         92   (S3 OR CONTRACT? ?) AND S8
S10        64   (S4:S7) AND S9
S11        52   S1(S)S2(S)(S3 OR CONTRACT? ?)(S)S8
S12        34   S1(S)S2(S)(S3 OR CONTRACT? ?)(S)(S4:S7)
S13         9   S1(S)S2(S)(S3 OR CONTRACT? ? OR CONTRACTUAL)(S)S4(S)(S5:S7)
S14         6   S13 NOT PY>2000
S15         6   RD (unique items)
? t15/3,k/all
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15/3,K/1 (Item 1 from file: 625)

DIALOG(R)File 625:American Banker Publications

0072622

Lehman puts branding iron on Bull and Bear Forward derivatives

Public Finance Watch - September 20, 1993; Pg. 3; Vol. 7, No. 35
DOCUMENT TYPE: Newsletter LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 900

BYLINE:
Aaron Pressman

TEXT:
...months
Philadelphias $1.1 billion water issue, attempts to meld the taxable performance of futures **contracts** with the tax-exempt return of municipal bonds.

Lehman sold $38 million of the new...

...against
adverse market moves and to leverage their bets on expected market changes. But futures **contracts** generate taxable capital gains, a problem for investors looking for tax-exempt income.

By embedding artificial futures **contracts** in a tax-exempt bond, Lehman devised a structure designed to mimic the return on several futures **contracts** without generating taxable income.

The price-performance characteristics should duplicate a fixed-

rate bond combined with three futures **contracts** , said Gary Gray, senior vice president at Lehman Brothers. This is the most volatile municipal derivative in the marketplace.

Because of their **volatility** , the new derivatives will not be offered to retail investors, officials at the firm said...

...on the Bull Forward and the Bear Forward will be adjusted, based on a complex **formula** designed to replicate the performance of futures **contracts** on The Bond Buyers 40-bond index. The adjusted yield, once set, will be fixed...

...to maturity of The Bond Buyer 40-bond index.

If the index rises during the **first** year, the **price** of the hypothetical bond will drop. If the index falls, the price of the hypothetical...

...The model takes the change in price of the hypothetical bond and calculates its present **value** over the remaining life of the derivative securities.

For example, if The Bond Buyer index...

...year, the hypothetical bonds price would rise $345, to $5,345 from $5,000. The **value** of the change in price of the hypothetical bond over the remaining 11-year life...

...portfolio manager said.

Another manager said he would consider the product but worried about the **volatility** . In a way, its bad for the industry. This is real live ammo, the manager...

15/3,K/2 (Item 1 from file: 267)

DIALOG(R)File 267:Finance & Banking Newsletters

04549995

Risk Management, Risk scientists look beyond their silos

Euromoney
May 10, 1999 PAGE: 32, 033 DOCUMENT TYPE: NEWSLETTER
PUBLISHER: EUROMONEY ELECTRONIC PUBLICATIONS
LANGUAGE: ENGLISH WORD COUNT: 2434 RECORD TYPE: FULLTEXT

TEXT:

Since Russia and LTCM, risk managers have been searching for a better way to **value** financial firms and the risks they run. Amazingly, they and their regulators temporarily lost sight...

...new, or perhaps old, thinking: a financial firm's risk assets can only truly be **valued** in relation to its liabilities. For example: take an illiquid investment such as a venture...

...the money market it runs a liquidity risk and must mark the investment at liquidation **value** . If it's funding the stake with its own equity, then marking it to market at liquidation **value** makes economic nonsense: accrual or

cost accounting are more appropriate.

Applying that principle to the...

...ultimately it may
make more sense than marking all assets to market, especially since historical **volatility** has proved such a bad guide to the future.

Russia's default on August 17...

...credit factors didn't get close to
anticipating the correlated market chaos of last year.
Value -at-risk (VAR) matrices - nicely compartmentalized credit and market risk buckets with some offsetting correlation...

...days like that
in 1998. JP Morgan in its 1998 annual report admits to 23 **trading days** when it experienced losses or gains outside its DEaR (daily earnings at risk) figure - admittedly...
...use their internal (approved) VAR models as
a basis for setting regulatory capital for their **trading** book.
Last **month** they held back proposals for parallel recognition of internal models designed ...reports are likely to have even less influence on banks'
shares. So what is their **value** ? Some delegates suggested they would be valuable as a back test, revealing how a firm...

...have to be more timely. But then it may add to rather than stabilize the **volatility** of the share price and counterparty credit standing. "There is a potential valuation spiral," warned...

...at times of poor liquidity.
Either it leads to a sharp decline in close-out **value** or it severely undervalues the assets of a going concern. "When liquidity dries up," said...exposure
to address these crisis scenarios, which have vastly different implications for different combinations of **contracts** and counterparties," he said. But he urged that test results should be used by firms...

...in.

It would be dangerous to mark all bank loan books to market at liquidation **value** . If the world's top 1,000 banks had to do this, mused a risk...

...of last year.
Now, it seems, the liability side must also come back into the **equation** . Each sector of a bank's assets must be evaluated according to how that sector...

...developed in the last decade,
mostly for oil and mining investments, attempt to put a **mathematical** **value** on business choices - the relative **value** of the options, for example, to exploit an oil-exploration licence, or to delay exploration, or to onsell the licence.

In a complex financial firm, the opportunity **value** or opportunity cost of allocating funding to one business or the other might be

formulated...

...more flexible bank
funding is, the more options the bank has to apply different valuation **formulae** to the various parts of its business.

As an illustration take the case of LTCM...

15/3,K/3 (Item 2 from file: 267)
DIALOG(R)File 267:Finance & Banking Newsletters

04544898
European Equities, The great equity rebalancing act
Euromoney Magazine
January 10, 1999 PAGE: 33, 038 DOCUMENT TYPE: NEWSLETTER
PUBLISHER: EUROMONEY ELECTRONIC PUBLICATIONS
LANGUAGE: ENGLISH WORD COUNT: 4109 RECORD TYPE: FULLTEXT

TEXT:
...inquiries from pension plans and asset owners is up exponentially from the summer."

No single **formula**

"Continental clients are definitely diversifying," says Jennifer Berg, global head of portfolio trading at Warburg...

...and prepare and execute their
trades in a variety of ways. There's no single **formula** - we see everything from multiple tranching to single large-scale events." It may be that...a lot of technology build-up at the client site, we like an appropriately extensive **period** of pre- **trade** planning, administration and analytics." That can be seven business days.

What takes so long? For...

...in
small-cap stocks) and the client's custodians.

Levy recalls executing one large portfolio **trade** in three **days** , but taking 20 days on a smaller trade in which the client declined any temporary...if it leaves the buy and sell portfolios badly out of balance."

If half the **value** of portfolio trades to investors is operational simplicity, the other half is quality of execution...into the business have often done so by
taking principal risk. But recent steep market **volatility** has raised the risk, and so the cost of doing such complex portfolio trades as...concerned about the difficulty of
executing large numbers of cash trades through unfamiliar stock exchange **settlement** systems during the early days of the euro. These institutions may well resort to taking...

...president of international portfolio trading at

Salomon Smith Barney. "We would charge him a fair **value** spread for this." Exchange-for-physical trades will increase, along with trading in futures on...

...Europe to
measure returns against. And futures trading against the few new indices that have **contracts** against them, is extremely thin: perhaps $100 million a day ...During the first half of 1998 the popularity of such deals
increased dramatically. With market **volatility** quite low, investors only had to give up a small amount of annual interest to...

...also
constructed with ladder options, so that if markets rose to 150% of their initial **value** and then fell back to 130% by maturity, investors would still receive a pay-out...of flexibility in what they buy. Big
institutional money managers might be more able to **value** such instruments but they often face limits on such derivatives-linked exposure imposed by conservative...

...deal structures

As market conditions changed in the second half of 1998 - when equity market **volatility** suddenly became very expensive and interest rates fell as central banks reacted to financial market...

...structures emerged and some institutional money
managers came to market. Low interest rates and high **volatility** , making options expensive, have transformed this equity derivatives market. As options have become expensive, so...

...appreciates steadily, the issuer may call it
after three years at, say, 130% of face **value** . There have also been digital option structures, whereby if an index rises from 100% of **value** at issue to 110% at the end of year one, the investor receives a payment...

...to enhance low interest rates is to
sell expensive options in a period of high **volatility** .

Deals have increasingly been structured where the end-investor sells put options on Europe-wide...

...cash, at maturity. A deal might include a
put at 80% of current stock market **value** . If at maturity, which can be in anything from one-to-five-years' time, shares have fallen from 80% of their **value** when the deal was struck, the end investor receives shares.

Selling **volatility** , and especially selling put options, can be a high-risk strategy. The obvious danger is that stocks go into free fall, perhaps losing half their **value** , landing investors with a ...at a high in-the-money strike price -
for example 105% of current stock market **value** , but a very **low** knock-in **price** , such as 80%, of current **value** . The investor still gets full principal repayment and a high interest rate, as long as markets don't fall to 80% of current **values** . If they do, it loses not 20% of principal, but 25%. True retail investors

probably...

15/3,K/4 (Item 3 from file: 267)
DIALOG(R)File 267:Finance & Banking Newsletters

04537941
US Hedge Funds, Overgrown and full of deadwood
Euromoney Magazine
August 10, 1998 PAGE: 29, 032 DOCUMENT TYPE: NEWSLETTER
PUBLISHER: EUROMONEY ELECTRONIC PUBLICATIONS
LANGUAGE: ENGLISH WORD COUNT: 3582 RECORD TYPE: FULLTEXT

TEXT:
...to follow suit
shortly. Other firms are buying their way in: last February, for instance, **Value** Asset Management purchased a 70% stake in Grosvenor Capital, a Chicago-based fund of funds...

...due to launch an IPO
of its stock. Casting aside concerns about just how to **value** a business that relies on ever-volatile hedge funds for its revenues, the firm was...alpha - managerial skill.
By balancing his long and short positions, Jones sought to remove market **volatility** from the **equation** ; his so-called "market-neutral" fund would sink or swim solely on his ability to...3% management fee and a 15% to 25% cut of profits, usually paid quarterly. Most **contracts** also include a lock-up period during which investors cannot withdraw their money, additional allocation...for everyone, or at least those who hope to run money for institutions.

"Institutions equate **low** **price** with **value** ," says the head of one fund of funds. "They think we are commodity providers. However...product: a market-neutral hedge fund with a
futures-overlay benchmark - usually an S&P500 **contract** .
Barr-Rosenberg has reportedly provided one such fund to General Motors Investment Management and at...

15/3,K/5 (Item 4 from file: 267)
DIALOG(R)File 267:Finance & Banking Newsletters

00033462
Price Protections In Stock-Swap Transactions
Mergers & Acquisitions
September/October, 1997 VOL: 32 ISSUE: 2 DOCUMENT TYPE: NEWSLETTER
PUBLISHER: INVESTMENT DEALERS DIGEST
LANGUAGE: ENGLISH WORD COUNT: 4323 RECORD TYPE: FULLTEXT

TEXT:
...ceilings, collars, termination, revival, and chooser options, and innovative contingent payment instruments such as contingent **value** rights and **variable** common rights. But before looking into those derivatives, it

is useful to review the basic...

...was structured on a fixed ratio for the exchange of shares or a constant dollar **value** that would determine the ratio at closing. There were for example no protection mechanisms in...

...market risk because of a presumption that they are alliances between partners. Furthermore, stock price **volatility** in combinations of large, widely traded companies in closely related industries may be perceived as ...

...pegged to the relative market prices of the two firms.
If the acquirer enjoys a **higher** **price** in absolute or relative terms, target shareholders will get a fraction of the buyer's...for each share of Pacific Telesis Group Inc. in their $16.52 billion combination.
A **higher** relative share **price** at the target often leads the acquirer to issue in excess of one share for...

...may be exposed to significant market risk. If the acquirer's stock price declines, the **value** of the shares received by the target will be below its expectation. If the decline...

...may prompt the acquirer to terminate discussions since it will be paying a much higher **value** than originally contemplated.
Fixed **Value** Pricing
An alternative method is fixed **value** pricing. Under this approach, the **value** of the shares received by the target's shareholders is not affected by changes in the acquirer's stock price. The nominal per-share **value** to be exchanged is fixed at inception. At closing, the exchange is consummated at whatever rate is needed to satisfy the fixed **value** **formula** , regardless of the number of shares needed to comprise total **value** . This approach sometimes is referred to as "floating exchange rate" pricing.
The stipulation of a...

...exchange rate. Typically, the calculations involve the average market prices, based on the number of **trading** **days** in a period before closing. That period, depending on the agreement, may run from two...

...the parties' assessment of the short-term prospects of the acquirer's stock and its **volatility** . The acquirer may be concerned about the negative impact of arbitrage trading activity on its...a full accounting of the dilutive effects of the transaction.
A large number of fixed **value** deals in recent years were done without price protection devices. An example is the British...

...does not already own in MCI Communications Corp. for $21.27 billion. The per-share **value** of the deal was fixed at $36.
Fixed **value** pricing offers enhanced protection to target shareholders in that they ultimately receive stock with a constant market **value** .
Conversely, the acquirer does not know the exact number of shares it must issue until...
...for Savings.
The protective tools include floors, caps, ceilings, collars, termination, revival, chooser options, contingent **value** rights, and **variable** contingent rights.
Floors, Caps, Ceilings, and Collars
Floors, caps, ceilings, and collars may be used separately or in conjunction with fixed exchange or fixed **value** pricing **formulas** .
In fixed exchange rate pricing, the target may negotiate a "floor" to insure against erosion...

...price does decline, the "fixed" exchange rate is amended to reflect application of the floor **value** requirement. The acquirer must issue additional shares to ensure that there is not a significant drop in the overall **value** due target shareholders.
The acquirer may be averse to issuing a significantly larger number of...

...results in a collar.
The IVAX acquisition of Johnson Products had a fixed exchange rate **formula** with a collar. The basic agreement stipulated a one-to-one exchange ratio that could...to issue shares, or add another type of currency, that aggregately exceeds the target's **value** . This might prompt the acquirer to request a "ceiling" on the **value** of shares it ultimately issues. In response, the target can insist on a minimum exchange...

...in the acquirer's stock price during the intervening period may not reflect the relative **values** of the two entities and may be attributable to general market or industry conditions which were not acquirer-induced.
A number of fixed **value** -priced transactions also have embedded collar provisions that stipulate minimum and maximum exchange rates or provide alternate **formulae** within defined bands. The collar range, which need not be symmetrical, typically captures fluctuations between...

...AT&T's acquisition of McCaw Cellular in 1994 provides a fairly comprehensive illustration. The **formula** stipulated a floor and a ceiling, which were in turn subject to maximum exchange ratio...

...a floor that was subject to a maximum exchange ratio but was silent on a **value** ceiling. Both Cyprus Minerals' acquisition of Amax and Bank of Boston's deal with Multibank Financial stipulated ceilings for the fixed exchange rate but omitted **value** floors.
Cancellation Options and "Walk-Away" Rights
A "walk-away" right is an additional tool...appearance of an American path-dependent option, except that the critical boundary at which its **value** is determined is specified in advance by the parties.
Walk-away rights may be used with fixed exchange rate, but they have been more commonly used in fixed **value** pricing with collar stipulations. The specified boundary price level may be the same as the...

...in the case of a fixed exchange ratio or a collar applicable to a fixed **value** **formula** , it is obligated to issue a block of shares that exceed a predetermined **value** . In Shawmut National's acquisition of Peoples Bancorp of Worcester, Shawmut had the right to...

...unless Peoples waived the minimum ratio. Sometimes, the termination threshold may be determined by external **variables** beyond the share prices of the two companies. In the New York Times-Affiliated Publications...stock price dropped below a pre-specified floor, it could choose from among several fixed **value** **formulae** in determining the number of shares to be issued to close the transaction. This option...

...risk-mitigating cushion for the target. Specific conditions may be the results of agreed-upon **formulas** or they may be triggered when the acquirer exercises its right provided for by the acquisition **contract** .
An acquirer may exercise revival options, also known as "top-up" rights, to induce a...
...the acquirer the right to increase the share-exchange ratio according to a specified fixed **value** **formula** . If the acquirer's stock price drops below a floor **value** , an acquirer may exercise the option to improve the exchange rate and thereby discourage the...

...share price so that Continental's shareholders would receive an aggregate amount equal to the **value** at the floor level. Similar **formulas** were used in the First Fidelity Bancorp-Peoples Westchester and Cyprus Minerals-Amax deals.
An...

...it calculates that it may wind up paying significantly more than the target's intrinsic **value** , or if events between agreement and closing cause it to reassess its initial judgment on...

...option and issue more shares. As a result, the transaction was terminated by FirsTier.
Contingent **Value** Rights and **Variable** Common Rights
Contingent **value** rights (CVRs) are commitments by the acquirer to pay additional cash ...may be at or below the lower level of a collar.
Hybrid CVRs known as **variable** common rights (VCRs) also have been used.
Essentially, these equity derivatives provide insurance to the...if the right will pay out additional stock, the holders may receive securities whose market **value** lags the redemption **value** of the contingent instruments.
The Viacom Inc. mega-acquisitions of Paramount Communications Corp. and Blockbuster...

...wake of those acquisitions, arbitrageurs purchased up to 80% of Viacom's takeover derivatives whose **value** fell as the company's stock rose. They acquired the derivative securities at fire sale...

...hedges by selling their shares in droves to realize their locked-in profits - bolstering the **value** of the CVRs and VCRs but depressing the stock price. Viacom wound up retiring the...the maturity date of the one-year VCRs. This was an example of how the **formula** can protect the acquirer against depressions in its stock price caused by large declines in ...

...deals. That should lead to more creative ways of sweetening merger offers and maximizing shareholder **value** .
Finally, wider developments in the economic marketplace will lead to more sophisticated and efficient dealmaking...

15/3,K/6 (Item 5 from file: 267)
DIALOG(R)File 267:Finance & Banking Newsletters

00009448
Cover Story - Can you get finer price discovery?
Euromoney Magazine
March 199 00, PAGE: 115, 118 DOCUMENT TYPE: NEWSLETTER
PUBLISHER: EUROMONEY ELECTRONIC PUBLICATIONS
LANGUAGE: ENGLISH WORD COUNT: 2963 RECORD TYPE: FULLTEXT

TEXT:
...our research.* This misjudgement means that many such issues become illiquid, sometimes well before the **settlement** date. As a result, investors tend to become wary about the tradeability of their Eurobond...

...in
the Deutschmark market earlier this year (other markets give very similar results) during a **period** of 23 **trading** **days** .

During that time 11 issues were launched and tracked by us. The term structure of...
...derivative
instruments. Both parties need reliable measuring tools.

The investor requires more than a fair- **value** comparison if he is to make accurate decisions on large investments in quality issues. The...tracking tool provided us with extensive detail with particular reference to price-notation frequency, price **volatility** , modified duration, convexity, etc, in the secondary markets. Measurement of the impact of new issues...

...ingredients vital to the
success of a Eurobond were included: data on bid-offer spread **volatility** ; lead managers' scores for correctness of pricing; the size of the issue relative to outstanding...

...peer group of similar issuers in the
secondary market. The government benchmark has its own **volatility** , even in the short term. Taking a peer group ignores the one vital ingredient to...

...introduces considerable errors of
measurement and clouds the picture from the start.

Modelled pricing, fair- **value** pricing, generic pricing - these are all inputs which the trader will rightly ignore as tools to find **value** in an illiquid secondary market. The reason is evident: he cannot deal in size at...environment? In each component part of the market, trend lines
are established against which the **volatility** of government bonds, liquid AAA Eurobonds and swaps are measured. Volumes issued and volumes maturing...

...track whether that difference increases
or diminishes over the succeeding few days, and what its **volatility** is. How much of that increase or diminution is attributable to a change in the...

...much to mispricing at launch?

The new issue is monitored daily for three months after **settlement** . If the issue has come within a given basis-point band above or below what...indicated it should
have been in the first place. By the end of the third **day** 's **trading** it has already closed up to the relevant issuer-specific term structure (it is by...

...s re-offered yield increase over the same period
amounted to 25.3bp. The camouflage **expression** "spreads have widened generally" is exposed, with market and issuer component trends distinctly measured; the...

...the same
borrower in the same maturity and in the same currency. A matrix of **values** unique to that issuer is thus built up in a number of

capital markets.

Issuer...of our research we expected to find that different capital markets would show up different **values** in a matrix of a group of borrowers.

This proved to be the case. We also observed that some markets make a lesser basis-point **value** distinction (credit compression) between the different rating categories, others much more so. What surprised us was to find that the matrix of issuer **values** within a given market, say the French franc, remains remarkably stable over time.

Such stability of inter-issuer **values** is only slightly diminished in markets that have been actively used by emerging market borrowers...

...In those
markets there is a more pronounced credit compression in the matrix of issuer **values** . Investors in those markets had a greater choice of issuers giving a yield pick-up and therefore placed less **value** distinction among the AAA to A1 OECD credits, whose liquidity is not as different from...
?